

B U S I N E S S S I T U A T I O N

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ACCORDING TO the “preliminary” estimates of the national income and product accounts (NIPA’s), real gross domestic product (GDP) increased 3.9 percent in the fourth quarter of 1996 (table 1 and chart 1); the “advance” estimate of real GDP, reported in the February “Business Situation,” had shown a 4.7-percent increase.¹ The downward revision was more than accounted for by a downward revision to the change in business inventories, but Federal defense spending was also revised down. (The sources of the revisions are discussed in the “Revisions” section.)

As in the advance estimate, real GDP growth accelerated in the fourth quarter from a 2.1-percent increase in the third. The step-up was more than accounted for by a sharp upturn in exports and by a sharp acceleration in personal consumption expenditures. Also contributing to the step-up were imports, which increased much less in the

fourth quarter than in the third, residential fixed investment, which changed little after decreasing, and government spending, which decreased less in the fourth quarter than in the third. In contrast, inventory investment turned down sharply, and nonresidential fixed investment increased less in the fourth quarter than in the third.

1. Quarterly estimates in the NIPA’s are expressed at seasonally adjusted annual rates, and quarterly changes are differences between these rates. Quarter-to-quarter percent changes are annualized. Real estimates are expressed in chained (1992) dollars. Price indexes are chain-type indexes.

Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers
(Seasonally adjusted at annual rates)

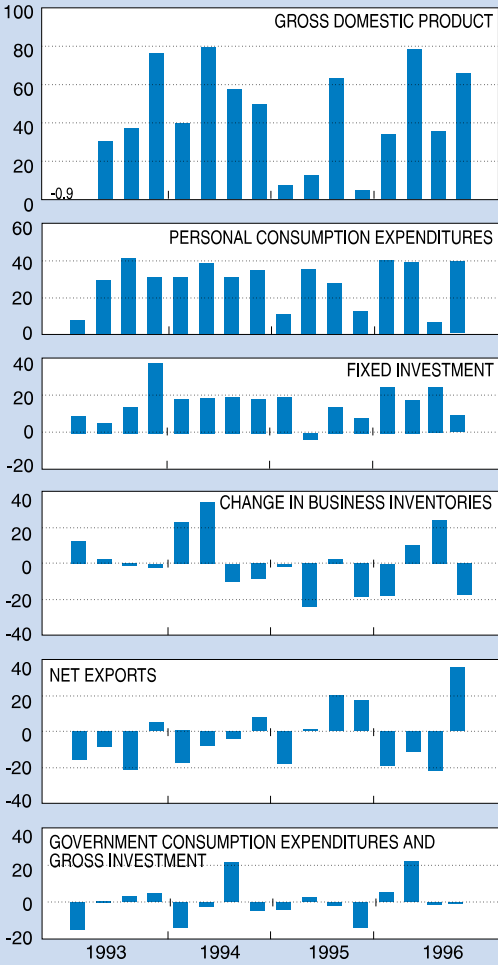
	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1996			
		1996				I	II	III	IV
		IV	I	II	III					IV
Gross domestic product	6,994.4	33.6	78.3	35.8	66.0	2.0	4.7	2.1	3.9
<i>Less:</i> Exports of goods and services	862.5	3.6	11.2	-1.8	46.4	1.8	5.6	-9	24.8
<i>Plus:</i> Imports of goods and services	962.5	22.7	21.9	20.9	9.0	10.6	9.9	9.3	3.8
<i>Equals:</i> Gross domestic purchases	7,090.3	51.7	88.4	57.7	29.6	3.0	5.2	3.3	1.7
<i>Less:</i> Change in business inventories	16.4	-17.6	10.1	27.4	-18.1	.....	.....	.....	.....
<i>Equals:</i> Final sales to domestic purchasers	7,073.3	69.1	79.7	29.7	48.4	4.1	4.7	1.7	2.8
Personal consumption expenditures	4,733.3	39.7	38.5	5.9	39.8	3.5	3.4	.5	3.4
Nonresidential fixed investment	791.8	20.2	7.0	30.9	10.4	11.6	3.8	17.5	5.5
Residential investment	277.6	4.8	10.4	-3.7	-2	7.4	16.3	-5.2	-4
Government consumption expenditures and gross investment	1,274.8	5.1	23.5	-2.1	-1.3	1.6	7.7	-6	-4
Federal	463.4	6.7	10.5	-4.1	-5.9	6.0	9.4	-3.5	-4.9
State and local	812.4	-1.8	12.9	2.2	4.7	-9	6.7	1.1	2.4
Addendum: Final sales of domestic product	6,977.4	51.0	69.5	8.0	84.7	3.0	4.1	.5	5.0

NOTE.—Chained (1992) dollar series are calculated as the product of the chain-type quantity index and the 1992 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1992) dollar levels and residuals, which measure the extent of nonadditivity in each table, are found in NIPA tables 1.2 and 1.6. Percent changes in major aggregates are found in NIPA table 8.1.

CHART 1

Real Product:
Change from Preceding Quarter

Billion chained (1992) \$



U.S. Department of Commerce, Bureau of Economic Analysis

Real gross domestic purchases increased 1.7 percent in the fourth quarter after increasing 3.3 percent in the third. The deceleration in gross domestic purchases contrasts with the acceleration in GDP; the difference was due to a sharp upturn in exports and a smaller increase in imports in the fourth quarter than in the third. (Unlike GDP, gross domestic purchases includes imports and excludes exports; thus, it represents purchases by U.S. residents, regardless of where the goods and services are produced.)

The price index for gross domestic purchases increased 2.5 percent in the fourth quarter after increasing 1.9 percent in the third. The price index for GDP increased 1.8 percent after increasing 2.0 percent.

Personal consumption expenditures

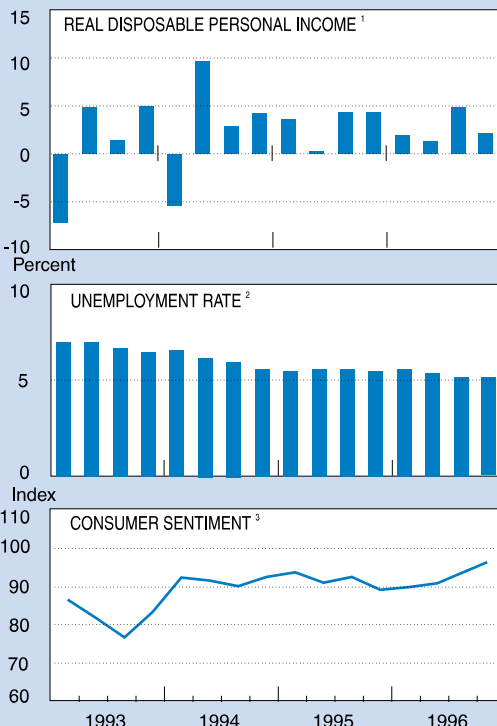
Real personal consumption expenditures (PCE) increased 3.4 percent in the fourth quarter after increasing 0.5 percent in the third (table 2). All three major components contributed to the step-up: Durable goods turned up in the fourth quarter, and services and nondurable goods increased more than in the third quarter.

In contrast to the step-up in PCE, several of the factors usually considered in analyses of PCE were mixed (chart 2). The Index of Consumer Sentiment (prepared by the University of Michigan's Survey Research Center) increased strongly to its highest level in nearly 13 years, following

CHART 2

Selected Factors Affecting Consumer Spending

Percent change



1. Disposable personal income in chained (1992) dollars: seasonally adjusted annual rates.

2. All civilian workers, seasonally adjusted.

Data: U.S. Department of Labor, Bureau of Labor Statistics

3. Data: University of Michigan's Survey Research Center.

U.S. Department of Commerce, Bureau of Economic Analysis

Table 2.—Real Personal Consumption Expenditures

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1996			
	1996	1996							
	IV	I	II	III	IV	I	II	III	IV
Personal consumption expenditures	4,733.3	39.7	38.5	5.9	39.8	3.5	3.4	0.5	3.4
Durable goods	617.8	11.7	16.4	-4.0	6.2	8.2	11.4	-2.6	4.1
Motor vehicles and parts	218.7	3.6	1.7	-5.9	-1.3	6.6	3.0	-10.0	-2.4
Of which:									
New autos	73.3	-2.3	-2.7	-5.9	4.0	-10.6	-13.3	-27.9	24.8
New trucks	50.4	.6	-1.8	-1.3	1.0	4.8	-12.6	-10.4	8.2
Furniture and household equipment	283.7	4.2	11.9	3.0	4.7	6.6	19.4	4.4	6.9
Other	120.2	4.0	3.5	-5	3.3	15.1	13.2	-1.7	11.7
Nondurable goods	1,447.4	12.9	4.8	1.3	5.2	3.7	1.3	.4	1.4
Food	703.3	6.2	-4.3	-3.3	1.7	3.5	-2.4	-1.8	.9
Clothing and shoes	269.9	5.2	6.4	2.1	-1.1	8.4	10.1	3.2	-1.6
Gasoline and oil	113.6	-1.1	1.7	-9	.2	-3.8	6.2	-3.2	.6
Fuel oil and coal	9.9	0	-6	0	-2	.8	-20.2	-9	-5.4
Other	351.5	2.8	1.9	3.5	4.5	3.3	2.3	4.2	5.2
Services	2,668.7	15.4	17.6	8.3	28.1	2.4	2.7	1.3	4.3
Housing	697.5	2.7	2.6	2.3	3.6	1.6	1.5	1.3	2.1
Household operation	287.5	1.9	4.8	-3.4	5.3	2.7	7.1	-4.8	7.8
Electricity and gas	115.9	2.0	2.5	-3.5	1.5	7.3	8.9	-11.4	5.5
Other household operation	171.4	-1	2.3	0	3.8	-3	5.9	0	9.4
Transportation	187.8	2.5	.8	1.9	2.6	5.6	1.8	4.2	5.8
Medical care	708.7	-1	5.0	3.6	9.0	-1	2.9	2.1	5.2
Other	787.4	8.8	4.3	3.8	7.5	4.7	2.3	1.9	3.9

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are found in NIPA tables 2.3, 8.5 (new autos), and 8.7 (new trucks). Percent changes in major aggregates are found in NIPA table 8.1.

a strong increase in the third quarter. The unemployment rate remained at 5.3 percent, the lowest level in more than 6 years. Real disposable personal income slowed to a 2.5-percent increase from a 4.8-percent increase in the third quarter; the fourth-quarter increase was a little below the average for the past 3 years.

Expenditures for durable goods increased 4.1 percent after decreasing 2.6 percent. Motor vehicles and parts decreased less than in the third quarter, "other" durable goods turned up, and furniture and household equipment increased more than in the third quarter. The smaller decrease in motor vehicles and parts was more than accounted for by an upturn in purchases of new cars, but purchases of trucks also turned up. Net purchases of used cars turned down sharply, and purchases of parts changed little after a small increase.

Expenditures for services increased 4.3 percent after increasing 1.3 percent. Household operations turned up, largely reflecting an upturn in electricity and gas: An increase in the demand for heating as a result of cooler-than-normal autumn temperatures followed a decrease in the demand for air-conditioning as a result of cooler-than-normal summer temperatures. All the other major components increased more in the fourth quarter than in the third; the largest step-ups were in medical care and in "other" services, the latter primarily reflecting an upturn in brokerage and investment counseling.

Expenditures for nondurable goods increased 1.4 percent after edging up 0.4 percent. The step-up was more than accounted for by an upturn in food, but gasoline and oil also turned up, and "other" nondurable goods increased more in the fourth quarter than in the third. The upturn in gasoline and oil resulted from a rebound from low third-quarter purchases that may have reflected reduced vacation travel during the summer. In contrast, fuel oil and coal changed little, and clothing and shoes turned down in the fourth quarter.

Nonresidential fixed investment

Real private nonresidential fixed investment increased 5.5 percent in the fourth quarter after increasing 17.5 percent in the third (table 3). The deceleration was more than accounted for by producers' durable equipment (PDE), which declined slightly after a strong increase; the decline in PDE was the first in 5 years. In contrast, structures increased sharply after a moderate rise.

Factors that affect investment spending have been mixed in recent quarters: On the positive side, real final sales of domestic product increased 3.2 percent over the past four quarters, and domestic corporate profits increased at an annual rate of 13.9 percent through the first three quarters of 1996 (profits data for the fourth quarter of 1996 are not yet available). On the less favorable side, the capacity utilization rate in manufacturing changed little over the past four quarters, and long-term interest rates increased; for example, the yield on

Table 3.—Real Gross Private Domestic Fixed Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1996			
	1996	1996				I	II	III	IV
	IV	I	II	III	IV	I	II	III	IV
Gross private domestic fixed investment	1,067.5	24.8	17.8	26.4	10.0	10.4	7.2	10.6	3.8
Nonresidential	791.8	20.2	7.0	30.9	10.4	11.6	3.8	17.5	5.5
Structures	199.5	3.4	-1.7	3.7	10.9	7.7	-3.8	8.4	25.2
Nonresidential buildings, including farm	143.8	1.1	-1.7	3.3	10.8	3.3	-5.0	10.4	36.5
Utilities	36.6	.4	.4	-4	.2	4.4	4.3	-5.0	2.3
Mining exploration, shafts, and wells	12.6	2.3	.1	.6	-9	119.4	4.2	22.2	-24.7
Other	6.4	-3	-6	.3	.8	-16.2	-37.1	28.3	68.3
Producers' durable equipment	593.8	16.9	9.2	27.5	-1.2	13.1	6.7	20.9	-8
Information processing and related equipment	257.5	11.1	8.6	16.4	7.0	22.3	16.3	31.0	11.6
Computers and peripheral equipment	148.4	11.6	9.1	12.6	9.5	51.8	34.7	46.2	30.6
Other	125.2	1.9	1.6	5.8	-3	6.7	5.2	21.1	-9
Industrial equipment	116.8	2.4	2.8	-2.6	-1.2	8.4	9.9	-8.2	-4.0
Transportation and related equipment	121.6	2.1	-2.6	11.6	-4.9	7.7	-8.5	47.0	-14.8
Of which:									
Motor vehicles	107.4	1.3	2.1	4.7	-1.7	5.1	8.4	19.3	-6.0
Other	104.7	2.1	1.1	3.1	-1.0	8.7	4.1	12.8	-3.6
Residential	277.6	4.8	10.4	-3.7	-2	7.4	16.3	-5.2	-4
Single-family structures	135.3	3.4	5.1	-9	-1.4	11.0	16.5	-2.8	-3.9
Multifamily structures	19.5	.7	1.8	-3.1	1.6	16.7	42.5	-47.5	40.4
Other	123.4	.6	3.5	.3	-4	2.0	12.2	.9	-1.3

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are found in NIPA tables 5.5, 8.5 (new and used autos), and 8.7 (new trucks). Percent changes in major aggregates are found in NIPA table 8.1.

high-grade corporate bonds, at 7.45 percent, was 43 basis points higher at the end of the fourth quarter than it was a year earlier.

PDE slipped 0.8 percent after increasing 20.9 percent. The weakness mainly reflected a downturn in transportation and related equipment (mainly aircraft and autos) and a slowdown in information processing equipment; although information processing equipment slowed, it continued to increase at a substantial rate. “Other” PDE also turned down. In contrast, industrial equipment decreased less than in the third quarter.

Structures jumped 25.2 percent after increasing 8.4 percent. Most of the step-up was accounted for by commercial and industrial buildings: Commercial buildings increased more than in the third quarter, and industrial buildings increased after a decrease. In contrast, mining exploration, shafts, and wells turned down.

Residential investment

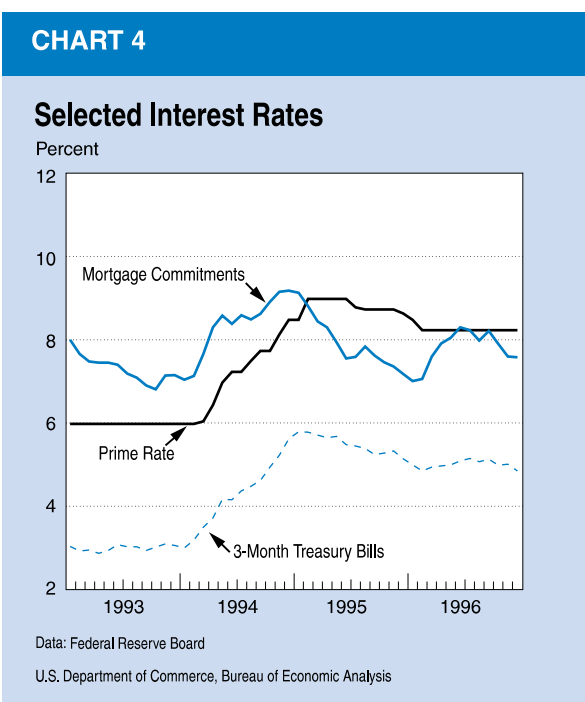
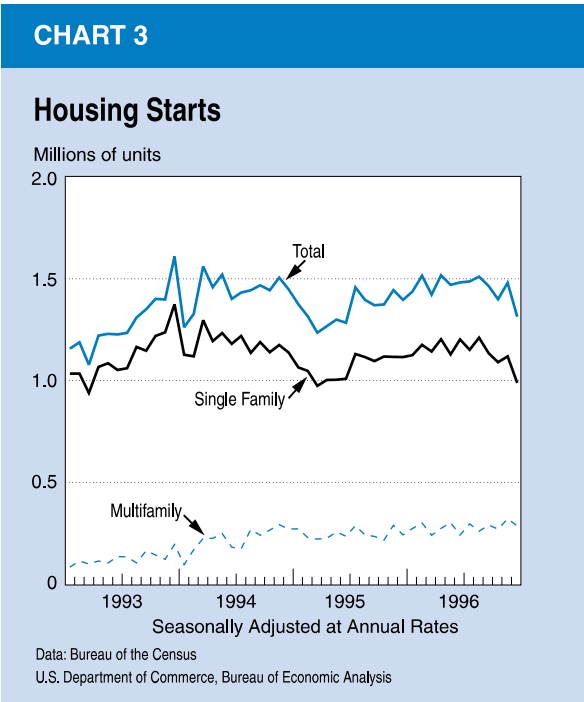
Real residential investment decreased 0.4 percent in the fourth quarter after decreasing 5.2 percent in the third (table 3). The smaller fourth-quarter decrease was more than accounted for by multifamily construction, which increased sharply after decreasing sharply. Single-family construction decreased more in the fourth quarter than in the

third, and “other” residential investment turned down.²

Single-family structures decreased 3.9 percent after decreasing 2.8 percent. The larger decrease reflected a decrease in housing starts after an increase. Single-family construction for a quarter largely reflects single-family housing starts in the first 2 months of that quarter and in the last 2 months of the preceding quarter; therefore, construction in the fourth quarter largely reflected starts that occurred from August through November. Housing starts averaged 1.15 million units from August to November after averaging 1.19 million units from May to August (chart 3).

“Other” residential investment decreased 1.3 percent after increasing 0.9 percent. The downturn was more than accounted for by mobile homes, which decreased more in the fourth quarter than in the third, and by brokers’ commissions on home sales, which turned down; in contrast, home improvements increased more in the fourth quarter than in the third. The downturn in brokers’ commissions reflected a decrease in home sales of 123,000 units (seasonally adjusted annual rate), which consisted of a drop in sales of existing residences of 79,000 units and a drop in sales of new residences of 44,000 units. The decrease in home sales occurred despite a drop in the commitment rate on 30-year, fixed-rate mortgages from 8.16 percent to 7.71 percent (chart 4).

2. “Other” residential investment includes home improvements, new mobile home sales, brokers’ commissions on home sales, and residential equipment.



Inventory investment

Real inventory investment—that is, the change in business inventories—decreased \$18.1 billion in the fourth quarter, as inventory accumulation slowed to \$16.4 billion from \$34.5 billion (table 4). In contrast, inventory investment had increased \$27.4 billion in the third quarter, as accumulation had stepped up from \$7.1 billion in the second quarter.

Nonfarm inventories increased \$18.4 billion in the fourth quarter after increasing \$34.6 billion in the third. The smaller fourth-quarter increase was attributable to slower accumulation of retail trade inventories and manufacturing inventories.

Retail trade inventories increased substantially less in the fourth quarter than in the third. The slowdown was primarily accounted for by inventories of durable goods, as inventories of motor vehicle dealers decreased after an increase. Inventories of nondurable goods increased slightly less than in the third quarter.

Manufacturing inventories increased about half as much as in the third quarter. The deceleration was more than accounted for by inventories of durable goods, which increased substantially less than in the third quarter. In contrast, inventories of nondurable goods increased more than in the third quarter.

Wholesale trade inventories increased after decreasing. The upturn was accounted for by nondurable goods; inventories of durable goods decreased after increasing.

Farm inventories decreased \$2.4 billion after edging down \$0.4 billion. The fourth-quarter decrease, which was accounted for by crop inven-

tories, marked the eighth consecutive quarter of farm inventory reduction.

The ratio of real nonfarm business inventories to real final sales of domestic business decreased to 2.23 from 2.26. The ratio of nonfarm inventories to final sales of goods and structures decreased to 3.99 from 4.04. Both ratios are low by historical standards.

Exports and imports

Real exports of goods and services jumped 24.8 percent in the fourth quarter after edging down 0.9 percent in the third (table 5). Real imports of goods and services increased 3.8 percent after increasing 9.3 percent.

Real exports of goods surged 31.1 percent after a very small increase. Most of the step-up was accounted for by nonagricultural goods, especially nonautomotive capital goods; aircraft and capital goods other than computers and aircraft contributed about equally to the step-up, and computers contributed much less.³ Industrial supplies and materials and nonautomotive consumer goods also turned up. Exports of services increased after decreasing, primarily reflecting an upturn in travel (that is, spending in the United States by foreign visitors).

Real imports of goods increased 3.4 percent after increasing 10.6 percent. The slowdown was the result of downturns in autos, in petroleum and products, and in industrial supplies and materials; in contrast, nonautomotive capital goods increased

3. Exports and imports of nonautomotive capital goods include both parts and equipment. However, parts are *not* included in the producers' durable equipment component of business fixed investment and in the equipment component of government investment.

Table 4.—Real Change in Business Inventories

[Billions of chained (1992) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter			
	1995	1996				1996			
	IV	I	II	III	IV	I	II	III	IV
Change in business inventories	14.6	-3.0	7.1	34.5	16.4	-17.6	10.1	27.4	-18.1
Farm	-4.7	-6.5	-5.1	-4	-2.4	-1.8	1.4	4.7	-2.0
Nonfarm	19.0	2.9	11.7	34.6	18.4	-16.1	8.8	22.9	-16.2
Manufacturing	11.2	12.0	-3.9	11.9	6.1	.8	-15.9	15.8	-5.8
Durable goods	12.0	14.0	.5	11.5	2.2	2.0	-13.5	11.0	-9.3
Nondurable goods	-6	-1.6	-4.2	.6	3.8	-1.0	-2.6	4.8	3.2
Wholesale trade	4.4	6.4	7.3	-3.6	2.8	2.0	.9	-10.9	6.4
Durable goods	12.1	9.0	2.8	6.0	-6.5	-2.9	-6.2	3.2	-12.5
Nondurable goods	-7.4	-2.3	4.4	-9.0	8.8	5.1	6.7	-13.4	17.8
Retail trade	-7.1	-21.7	5.2	22.7	6.1	-14.6	26.9	17.5	-16.6
Durable goods	-3.7	-17.9	6.9	16.9	.6	-14.2	24.8	10.0	-16.3
Motor vehicle dealers .....	.4	-23.6	2.0	10.6	-1.9	-24.0	25.6	8.6	-12.5
Other	-4.2	6.3	5.0	6.2	2.6	10.5	-1.3	1.2	-3.6
Nondurable goods	-3.4	-3.7	-1.8	5.8	5.5	-.3	1.9	7.6	-.3
Other	10.6	6.1	3.1	3.6	3.4	-4.5	-3.0	.5	-2
Durable goods	5.5	6.7	-.9	-1.3	-.1	1.2	-7.6	-.4	1.2
Nondurable goods	4.9	-1.0	4.1	5.1	3.7	-5.9	5.1	1.0	-1.4

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are found in NIPA table 5.11.

more than in the third quarter, and "other" goods increased after decreasing. Imports of services increased more than in the third quarter, mainly reflecting an upturn in travel (that is, spending in other countries by U.S. visitors). Royalties and license fees, which had jumped in the third quarter as a result of the 1996 Olympic games, returned to a more normal level in the fourth quarter.

Government spending

Real government consumption expenditures and gross investment edged down 0.4 percent in the fourth quarter, slightly less than in the third (table 6). Federal Government spending decreased more in the fourth quarter than in the third, and State and local government spending increased less in the fourth quarter than in the third.

Federal defense spending decreased 7.1 percent after decreasing 5.5 percent. Investment decreased more in the fourth quarter than in the third, primarily reflecting a larger fourth-quarter decrease in equipment, mainly aircraft. Consumption expenditures decreased less in the fourth quarter than in the third, primarily as a result of an upturn in services; the fourth-quarter decrease in consumption expenditures was accounted for by both durable goods, largely aircraft and missile parts, and nondurable goods, mainly petroleum products.

Federal nondefense spending decreased 0.6 percent after increasing 0.6 percent. Consumption expenditures, largely services, decreased more in the fourth quarter than in the third. Investment increased more than in the third quarter; both structures and equipment, particularly vehicles, contributed to the larger fourth-quarter increase.

Table 5.—Real Exports and Imports of Goods and Services

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1996			
	1996	1996				I	II	III	IV
	IV	I	II	III	IV	I	II	III	IV
Exports of goods and services	862.5	3.6	11.2	-1.8	46.4	1.8	5.6	-0.9	24.8
Goods	643.1	2.1	9.7	.5	42.0	1.5	6.7	.3	31.1
Agricultural goods	51.3	1.1	-5.0	1.0	4.8	9.3	-33.7	8.7	48.5
Nonagricultural goods	592.6	.9	15.5	-.7	37.1	.7	11.9	-.5	29.5
Services	220.9	1.4	1.6	-2.2	4.8	2.7	2.8	-3.8	9.1
Imports of goods and services	962.5	22.7	21.9	20.9	9.0	10.6	9.9	9.3	3.8
Goods	816.9	18.4	21.5	20.1	6.9	10.2	11.7	10.6	3.4
Petroleum and products	57.8	-3.5	6.8	1.1	-5.3	-22.2	59.9	7.0	-29.4
Nonpetroleum products	757.0	21.5	15.1	19.0	11.6	13.0	8.7	10.9	6.4
Services	146.2	4.3	.4	.9	2.1	13.0	1.3	2.6	5.8
Addendum: Net exports of goods and services	-100.0	-19.1	-10.7	-22.7	37.4	.....	.....	.....	.....

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are found in NIPA table 4.4. Percent changes in major aggregates are found in NIPA table 8.1.

Table 6.—Real Government Consumption Expenditures and Real Gross Investment by Type

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1996			
	1996	1996				I	II	III	IV
	IV	I	II	III	IV	I	II	III	IV
Government consumption expenditures and gross investment	1,274.8	5.1	23.5	-2.1	-1.3	1.6	7.7	-0.6	-0.4
Federal	463.4	6.7	10.5	-4.1	-5.9	6.0	9.4	-3.5	-4.9
National defense	309.2	3.1	7.5	-4.5	-5.7	4.1	10.0	-5.5	-7.1
Consumption expenditures	274.5	-3.5	8.0	-3.1	-2.0	-5.0	12.2	-4.3	-2.8
Gross investment	34.8	6.5	-.4	-1.4	-3.7	102.6	-4.0	-13.2	-33.5
Nondefense	153.7	3.6	3.1	.2	-.2	10.1	8.3	.6	-.6
Consumption expenditures	131.1	3.0	3.1	-.3	-3.3	9.9	9.6	-.7	-9.6
Gross investment	22.8	.5	0	.5	3.4	12.1	-1.3	11.6	90.6
State and local	812.4	-1.8	12.9	2.2	4.7	-.9	6.7	1.1	2.4
Consumption expenditures	653.2	-1.2	8.8	2.7	.8	-.8	5.6	1.6	.5
Gross investment	159.2	-6	4.1	-.5	3.9	-1.5	11.2	-1.2	10.4

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are found in NIPA table 3.8B. Percent changes in major aggregates are found in NIPA table 8.1.

State and local government spending increased 2.4 percent after increasing 1.1 percent. The pickup was attributable to investment in structures.

Revisions

As noted earlier, the preliminary estimate of a 3.9-percent increase in real GDP in the fourth quarter is 0.8 percentage point lower than the advance estimate (table 7); for 1976–95, the average revision, without regard to sign, from the advance estimate of real GDP to the preliminary estimate is 0.5 percentage point. The downward revision to GDP was more than accounted for by a downward revision in inventory investment, but Federal defense spending was also revised down. The preliminary estimates of the increases in the price indexes for gross domestic purchases and for GDP in the fourth quarter are 2.5 percent and 1.8 percent, respectively, the same as the advance estimates.


The downward revision to real GDP was more than accounted for by a downward revision to the change in business inventories, but government spending was also revised down. Fixed investment and PCE were revised up, and imports were revised down.

Most of the downward revision to the change in business inventories was accounted for by nonfarm inventories, primarily in durable goods manufacturing, and reflected Census Bureau data on the value of inventories—revised for November and newly available for December. Farm inventories also were revised down, reflecting new Department of Agriculture data on livestock inventories.

The downward revision to government spending was more than accounted for by national defense spending and reflected detailed Monthly Treasury Statement data for December and Department of Defense detailed financial reports for the quarter.

The downward revisions to exports and imports were more than accounted for by goods and reflected revised Census Bureau data.

The upward revision to PCE was more than accounted for by services and largely reflected new data on hospital expenses.

The preliminary estimate of real disposable personal income increased 2.5 percent in the fourth quarter, the same increase as in the advance estimate; the revisions both to current-dollar personal income and to personal tax and nontax payments were small. The preliminary estimate of the personal saving rate was 5.1 percent, the same as the advance estimate. 

**Table 7.—Revisions to Real Gross Domestic Product and Prices,
Fourth Quarter 1996**

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Preliminary estimate minus advance estimate	
	Advance estimate	Preliminary estimate	Percentage points	Billions of chained (1992) dollars
Gross domestic product	4.7	3.9	-0.8	-14.3
Less: Exports of goods and services	25.5	24.8	-7	-1.3
Goods	32.2	31.1	-1.1	-1.5
Services	8.8	9.1	.3	.1
Plus: Imports of goods and services	4.7	3.8	-.9	-2.0
Goods	4.5	3.4	-1.1	-2.1
Services	5.6	5.8	.2	.1
Equals: Gross domestic purchases	2.6	1.7	-.9	-15.0
Personal consumption expenditures	3.4	3.4	0	1.0
Durable goods	5.4	4.1	-1.3	-1.9
Nondurable goods	1.7	1.4	-.3	-.8
Services	3.8	4.3	.5	3.5
Fixed investment	2.7	3.8	1.1	3.1
Nonresidential	4.2	5.5	1.3	2.4
Structures	22.5	25.2	2.7	1.0
Producers' durable equipment	-1.7	-.8	.9	1.3
Residential	-1.3	-.4	.9	.7
Change in business inventories .....	.....	.....	.....	-15.5
Nonfarm .....	.....	.....	.....	-13.1
Farm .....	.....	.....	.....	-2.5
Government consumption expenditures and gross investment .....	.7	-.4	-1.1	-3.5
Federal	-1.8	-4.9	-3.1	-3.7
National defense	-1.8	-7.1	-5.3	-4.3
Nondefense	-1.9	-.6	1.3	.5
State and local	2.2	2.4	.2	.3
Addenda:				
Final sales of domestic product	4.9	5.0	.1	1.0
Gross domestic purchases price index (chain-type weights) ¹	2.5	2.5	0	.....
GDP price index (chain-type weights) ¹	1.8	1.8	0	.....

1. Based on chained (1992) weights.

NOTE.—The preliminary estimates for the fourth quarter of 1996 incorporate the following revised or additional major source data that were not available when the advance estimates were prepared.

Personal consumption expenditures: Revised retail sales for November and December, consumers' share of new-car purchases for December, consumers' share of new-truck purchases for December, used car sales for the quarter, and hospital expenses for October.

Nonresidential fixed investment: Construction put in place for October and November (revised) and December, manufacturers' shipments of machinery and equipment for November and December (revised), and exports and imports of machinery and equipment for November (revised) and December.

Residential fixed investment: Construction put in place for October and November (revised) and December.

Change in business inventories: Manufacturing and trade inventories for November (revised) and December.

Exports and imports of goods and services: Exports and imports of goods for November (revised) and December.

Government consumption expenditures and gross investment: Monthly Treasury Statement detailed data for December, Department of Defense detailed financial reports for the quarter, State and local government construction put in place for October and November (revised) and December, and State and local government employment for November and December (revised).

Wages and salaries: Revised employment, average hourly earnings, and average weekly hours for November and December.

GDP prices: Detailed merchandise export and import price indexes for October through December (revised), values and quantities of petroleum imports for November and December (revised), and housing prices for the fourth quarter.